

**HAMILTON COUNTY
Webster City, Iowa**

**FINANCIAL STATEMENTS
June 30, 2012**

TABLE OF CONTENTS

	PAGE
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Governmental Funds Financial Statements:	
Balance Sheet	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	17
Proprietary Fund Financial Statements:	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Fund Net Assets	19
Statement of Cash Flows	20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities - Agency Funds	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds	46
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	48
Notes to Required Supplementary Information - Budgetary Reporting	49
Schedule of Funding Progress for the Retiree Health Plan	50
OTHER SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	54
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	61

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS 62**

SCHEDULE OF FINDINGS AND RESPONSES 64

HAMILTON COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wesley Sweedler	Board of Supervisors	December 2012
David Young	Board of Supervisors	December 2014
Doug Bailey	Board of Supervisors	December 2012
Kim Schaa	County Auditor	December 2012
Deborah Leksell	County Treasurer	December 2014
Kim Anderson	County Recorder	December 2014
Denny Hagenson	County Sheriff	December 2012
Patrick Chambers	County Attorney	December 2014
Kevin Bahrenfuss	County Assessor	December 2015

Independent Auditor's Report

To the Officials of Hamilton County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, Iowa, (County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of management of Hamilton County, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, Iowa as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013 on our consideration of Hamilton County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress for the Retiree Health Plan be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton County, Iowa's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hamilton County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012 (FY12). We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Governmental activities revenue was approximately \$16.2 million in FY12, compared to \$16.9 million in FY11.
- Program expenses were approximately \$15.5 million, compared to \$17.2 million in FY11.
- Net assets increased approximately \$649,000 for FY12.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hamilton County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hamilton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hamilton County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).
- *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- *Other Supplementary Information* provides detailed information about the nonmajor governmental funds and the individual agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) General Fund, 2) Special Revenue Funds, such as Mental Health, Rural Services, Local Option Sales Tax, and Secondary Roads, and 3) Debt Service Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service - Employee Group Health Insurance Account Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for employee health insurance, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Hamilton County's net assets for FY12 totaled approximately \$28.3 million. This compares to FY11 at approximately \$27.7 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30, <u>2012</u>	June 30, <u>2011</u>
Current and other assets	\$ 36,042	\$ 36,498
Capital assets	<u>27,939</u>	<u>28,234</u>
Total assets	<u>63,981</u>	<u>64,732</u>
Long-term debt outstanding	24,262	25,489
Other liabilities	<u>11,372</u>	<u>11,545</u>
Total liabilities	<u>35,634</u>	<u>37,034</u>
Net assets:		
Invested in capital assets, net of related debt	23,068	22,335
Restricted	4,024	5,251
Unrestricted	<u>1,255</u>	<u>112</u>
Total net assets	<u>\$ 28,347</u>	<u>\$ 27,698</u>

FY12 net assets of Hamilton County's governmental activities increased by \$649,000 from FY11. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is approximately \$1.3 million.

**Changes in Net Assets of Governmental Activities
(Expressed in Thousands)**

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 1,689	\$ 2,968
Operating grants and contributions	5,911	5,814
Capital grants and contributions	113	-
General revenues:		
Property taxes	7,159	6,941
TIF collections	435	439
Local option sales tax	477	507
Unrestricted investment earnings	57	64
Other general revenues	315	174
Total revenues	16,156	16,907
Program expenses:		
Public safety and legal services	2,697	2,523
Physical health and social services	1,607	1,875
Mental health	1,739	1,970
County environment and education	1,182	1,269
Roads and transportation	5,652	5,798
Government services to residents	438	419
Administration	1,254	2,392
Non-program	776	841
Interest on long-term debt	162	137
Total expenses	15,507	17,224
Increase (decrease) in net assets	\$ 649	\$ (317)

Hamilton County's county-wide levy rate increased slightly from 10.20030 per \$1,000 of valuation in FY11 to 10.52378 in FY12. The rural assessed property taxable valuation increased by \$30.0 million for a total of \$513,740,131 and countywide assessed property valuation increased by \$31.8 million for a total of \$804,276,498.

INDIVIDUAL MAJOR FUND ANALYSIS

As Hamilton County completed the year, its governmental funds reported a combined fund balance of \$6,760,472, compared to \$6,277,596 combined fund balance for FY11. This is an increase of \$482,876.

The General Fund, the operating fund for Hamilton County, ended FY12 with a fund balance totaling \$2,006,291 whereas FY11 ended with a \$1,462,323 balance, an increase of \$543,968. Property valuations increased from \$772,494,578 in FY11 to \$804,276,498 in FY12, an increase of \$31,781,920. The levy rate increased by .22615 to \$6.81388 for FY12.

The Mental Health Fund ended with a \$760,727 fund balance for FY12, whereas FY11 ended with a \$363,020 balance, an increase of \$397,707. The levy rate decreased from 1.10284 in FY11 to 1.06085 in FY12, a decrease of .04199. Hamilton County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund.

The Rural Service Fund ended with a \$376,085 fund balance for FY12 compared to the prior year balance of \$348,190, an increase of \$27,895. The levy rate increased from 3.61257 for FY11 to 3.70990 for FY12. Property valuations increased from \$483,755,458 in FY11 to \$513,740,131 in FY12. In evaluating the budgeted expenses and revenues, we feel it is justifiable for a portion of the expense related to Sheriff's Deputies to be paid by the rural service fund.

The Secondary Roads Fund ended FY12 with a \$2,290,976 fund balance compared to the prior year balance of \$2,210,510, an increase of \$80,466. FY12 expenditures decreased to \$4,434,604 from \$4,814,151 in FY11. In FY11, the Secondary Roads Department maintained 718 miles of aggregate-surfaced roads and 218 miles of paved roads during the year.

The Drainage Fund ended FY12 with a \$589,498 fund balance compared to the prior year balance of \$491,867. A substantial increase in activity in this fund has contributed to the increase in fund balance.

The Hospital Debt Service Fund is designed for the purpose of flowing through payments collected from the Hospital to pay for debt and as such, is not intended to accumulate a fund balance. Current year and prior year fund balance is \$0. The County has recorded as receivable from the Hospital in the amount of the outstanding debt.

BUDGETARY HIGHLIGHTS

Hamilton County amended the budget twice in FY12 with the first in November 2011 for the primary purpose of increases in revenue for the Courthouse lighting grant and increased revenues for Public Health. Increased expenses in Sheriff/Property Forfeiture fund, Public Health, and Conservation and an increased payment on the Ethanol TIF revenue bond principle. Our second amendment was held in May of 2012 for the primary purpose of increased expenses for County Attorney, Sheriff, and Economic Development as well as decreases in Local Option Sales Tax revenue and Federal jail revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY12, the County had approximately \$27.9 million invested in capital assets, compared to \$28.2 million for FY11. This is a decrease of \$296,000 from FY11.

Capital Assets, Net of Depreciation (Expressed in Thousands)

	<u>2012</u>	<u>2011</u>
Land	\$ 3,864	\$ 3,864
Construction in progress	601	521
Buildings and improvements	6,087	6,259
Machinery and Equipment	2,149	1,915
Infrastructure	<u>15,237</u>	<u>15,675</u>
Total	<u>\$ 27,938</u>	<u>\$ 28,234</u>

Long-Term Debt

At June 30, 2012, Hamilton County had approximately \$26.2 million in capital notes and other debt outstanding compared to \$27.8 million at June 30, 2011. The majority of the long term debt is Hospital general obligation bonds and TIF revenue bonds for the ethanol project.

Outstanding Long-term Obligations (Expressed in Thousands)

	<u>2012</u>	<u>2011</u>
General obligation bonds and notes	\$ 20,974	\$ 22,330
Urban renewal tax increment revenue bonds	3,002	3,683
Capital lease purchase agreements	480	595
Drainage warrants and improvement certificates	1,017	591
Compensated absences	464	410
Net OPEB	<u>262</u>	<u>190</u>
Total	<u>\$ 26,199</u>	<u>\$ 27,799</u>

The Constitution of the State of Iowa limits the general obligation debt a county can issue and have outstanding to five percent of the assessed value of all taxable property within the County's corporate limits. Hamilton County's outstanding general obligation debt is below this limit.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

Hamilton County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that apply for the various County services. One of those factors is the economy. We also look very closely at the percentage of fund balance to expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hamilton County's finances, and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hamilton County Auditor's Office, 2300 Superior Street, Webster City, Iowa 50595.

BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 6,461,926
Receivables:	
Property tax:	
Delinquent	12,518
Succeeding year	7,207,058
Interest and penalty on property tax	21,401
Accounts	19,627,145
Accrued interest	60,153
Drainage assessments	1,017,793
Note	1,140,000
Due from other governments	230,421
Inventories	1,298,634
Prepaid insurance	104,771
Note receivable-long term	18,445,000
Capital assets, net of accumulated depreciation	<u>27,938,836</u>
Total assets	<u>83,565,656</u>
LIABILITIES	
Accounts payable	407,846
Accrued interest payable	81,349
Salaries and benefits payable	164,775
Due to other governments	488,758
Unearned revenue:	
Succeeding year property tax	7,207,058
Other	20,669,369
Long-term liabilities:	
Due within one year	1,937,172
Due in more than one year	<u>24,262,324</u>
Total liabilities	<u>55,218,651</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,067,744
Restricted	4,024,003
Unrestricted	<u>1,255,258</u>
TOTAL NET ASSETS	<u>\$ 28,347,005</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Statement of Activities
Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:					
Public safety and legal services	\$ 2,697,447	\$ 270,592	\$ 24,884	\$ -	\$ (2,401,971)
Physical health and social services	1,607,158	184,520	1,018,592	-	(404,046)
Mental health	1,738,743	30,733	1,216,730	-	(491,280)
County environment and education	1,181,900	785,834	57,231	6,179	(332,656)
Roads and transportation	5,651,850	52,072	3,016,707	-	(2,583,071)
Governmental services to residents	438,053	328,258	-	-	(109,795)
Administration	1,254,109	37,181	44,251	107,018	(1,065,659)
Non-program	775,507	-	532,577	-	(242,930)
Interest on long-term debt	162,038	-	-	-	(162,038)
Total	\$ 15,506,805	\$ 1,689,190	\$ 5,910,972	\$ 113,197	(7,793,446)
GENERAL REVENUES:					
Property tax levied for general purposes					7,158,620
Penalty and interest on property tax					46,452
State tax credits					269,101
Tax increment financing collections					434,487
Local option sales tax					477,053
Unrestricted investment earnings					56,887
Miscellaneous					122
Total general revenues					8,442,722
Change in net assets					649,276
Net assets, beginning of year					27,697,729
Net assets, end of year					\$ 28,347,005

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Balance Sheet
Governmental Funds
June 30, 2012

	<u>Special Revenue</u>							<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage</u>	<u>Hospital Debt Service</u>	<u>Nonmajor</u>	
ASSETS								
Cash and pooled investments	\$ 2,081,623	\$ 853,025	\$ 354,789	\$ 1,183,557	\$ 589,498	\$ -	\$ 1,145,161	\$ 6,207,653
Receivables:								
Property tax:								
Delinquent	9,524	1,908	648	-	-	-	438	12,518
Succeeding year	4,212,581	843,776	1,951,921	-	-	-	198,780	7,207,058
Interest and penalty on property tax	21,401	-	-	-	-	-	-	21,401
Accounts	15,089	-	-	4,400	-	19,585,000	-	19,604,489
Accrued interest	638	-	-	-	-	-	187	825
Drainage assessments	-	-	-	-	1,017,793	-	-	1,017,793
Due from other funds	21,733	-	-	-	-	-	923	22,656
Due from other governments	99,702	-	30,849	-	-	-	99,870	230,421
Inventories	-	-	-	1,298,634	-	-	-	1,298,634
Total assets	\$ 6,462,291	\$ 1,698,709	\$ 2,338,207	\$ 2,486,591	\$ 1,607,291	\$ 19,585,000	\$ 1,445,359	\$ 35,623,448
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 103,775	\$ 40,560	\$ 704	\$ 147,539	\$ -	\$ -	\$ 115,268	\$ 407,846
Salaries and benefits payable	95,493	13,495	8,299	47,488	-	-	-	164,775
Due to other governments	19,859	39,117	550	588	-	-	353,814	413,928
Deferred revenue:								
Succeeding year property tax	4,212,581	843,776	1,951,921	-	-	-	198,780	7,207,058
Other	24,292	1,034	648	-	1,017,793	19,585,000	40,602	20,669,369
Total liabilities	<u>4,456,000</u>	<u>937,982</u>	<u>1,962,122</u>	<u>195,615</u>	<u>1,017,793</u>	<u>19,585,000</u>	<u>708,464</u>	<u>28,862,976</u>
Fund balances:								
Nonspendable for inventories	-	-	-	1,298,634	-	-	-	1,298,634
Restricted for:								
Supplemental levy purposes	527,745	-	-	-	-	-	-	527,745
Mental health purposes	-	760,727	-	-	-	-	-	760,727
Rural services purposes	-	-	376,085	-	-	-	-	376,085
Secondary roads purposes	-	-	-	992,342	-	-	-	992,342
Drainage warrants/drainage improvement certificates	-	-	-	-	589,498	-	-	589,498
Conservation land acquisition/ capital improvements	40,711	-	-	-	-	-	-	40,711
Debt service	-	-	-	-	-	-	1,112	1,112
Other purposes	-	-	-	-	-	-	735,783	735,783
Unassigned	1,437,835	-	-	-	-	-	-	1,437,835
Total fund balances	<u>2,006,291</u>	<u>760,727</u>	<u>376,085</u>	<u>2,290,976</u>	<u>589,498</u>	<u>-</u>	<u>736,895</u>	<u>6,760,472</u>
Total liabilities and fund balances	\$ 6,462,291	\$ 1,698,709	\$ 2,338,207	\$ 2,486,591	\$ 1,607,291	\$ 19,585,000	\$ 1,445,359	\$ 35,623,448

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total governmental fund balances \$ 6,760,472

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$58,356,566 and the accumulated depreciation is \$30,417,730. 27,938,836

Long-term note receivable for pass through monies related to general obligation hospital bonds 19,585,000

Long-term interest receivable on pass through note receivable for pass through monies related to the general obligation hospital bonds 59,328

Long-term liabilities, including bonds payable, capital leases, accrued interest payable, compensated absences, other post employment benefits, and drainage warrants are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Notes, leases, bonds, warrants, other post employment benefits, and compensated absences (26,199,496)
 Accrued interest payable (81,349)

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 284,214

Net assets of governmental activities \$ 28,347,005

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	<u>Special Revenue</u>						<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage</u>	<u>Hospital Debt Service</u>		
Revenues:								
Property and other county tax	\$ 4,278,979	\$ 822,680	\$ 1,970,767	\$ -	\$ -	\$ -	\$ 555,101	\$ 7,627,527
Tax increment financing collections	-	-	-	-	-	-	434,488	434,488
Interest and penalty on property tax	46,452	-	-	-	-	-	-	46,452
Intergovernmental	1,405,895	1,236,787	66,459	3,016,707	384,056	-	332,240	6,442,144
Licenses and permits	12,143	-	-	4,870	-	-	-	17,013
Charges for services	1,315,145	8,591	-	463	-	-	155	1,324,354
Use of money and property	69,991	21,800	-	-	3,005	-	3,892	98,688
Miscellaneous	56,901	11,827	5,704	49,614	25,722	-	15,647	165,415
Total revenues	<u>7,185,506</u>	<u>2,101,685</u>	<u>2,042,930</u>	<u>3,071,654</u>	<u>412,783</u>	<u>-</u>	<u>1,341,523</u>	<u>16,156,081</u>
Expenditures:								
Operating:								
Public safety and legal services	2,281,201	-	259,559	-	-	-	55,938	2,596,698
Physical health and social services	1,611,626	-	-	-	-	-	5,059	1,616,685
Mental health	-	1,703,978	-	-	-	-	-	1,703,978
County environment and education services	1,022,579	-	128,876	-	-	-	51,772	1,203,227
Roads and transportation	-	-	274,204	4,120,355	-	-	-	4,394,559
Governmental services to residents	422,847	-	-	-	-	-	-	422,847
Administration	1,079,145	-	55,096	-	-	-	119,636	1,253,877
Non-program	-	-	-	5,767	1,604,634	-	24,121	1,634,522
Debt service	-	-	-	-	-	1,855,835	1,025,886	2,881,721
Capital outlay	56,304	-	75,000	308,482	-	-	721,138	1,160,924
Total expenditures	<u>6,473,702</u>	<u>1,703,978</u>	<u>792,735</u>	<u>4,434,604</u>	<u>1,604,634</u>	<u>1,855,835</u>	<u>2,003,550</u>	<u>18,869,038</u>
Excess (deficiency) of revenues over expenditures	<u>711,804</u>	<u>397,707</u>	<u>1,250,195</u>	<u>(1,362,950)</u>	<u>(1,191,851)</u>	<u>(1,855,835)</u>	<u>(662,027)</u>	<u>(2,712,957)</u>
Other financing sources (uses):								
Transfers in	205,762	-	80,000	1,392,900	-	-	82,632	1,761,294
Transfers out	(373,598)	-	(1,302,300)	-	-	-	(85,396)	(1,761,294)
Payments received on long term receivable	-	-	-	-	-	1,855,835	-	1,855,835
Drainage warrant/drainage improvement certificates issued	-	-	-	-	1,289,482	-	-	1,289,482
Total other financing sources (uses)	<u>(167,836)</u>	<u>-</u>	<u>(1,222,300)</u>	<u>1,392,900</u>	<u>1,289,482</u>	<u>1,855,835</u>	<u>(2,764)</u>	<u>3,145,317</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	<u>Special Revenue</u>						<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage</u>	<u>Hospital Debt Service</u>		
Net change in fund balances	\$ 543,968	\$ 397,707	\$ 27,895	\$ 29,950	\$ 97,631	\$ -	\$ (664,791)	\$ 432,360
Fund balances, beginning of year	1,462,323	363,020	348,190	2,210,510	491,867	-	1,401,686	6,277,596
Increase in reserve for inventories	-	-	-	50,516	-	-	-	50,516
Fund balances, end of year	<u>\$ 2,006,291</u>	<u>\$ 760,727</u>	<u>\$ 376,085</u>	<u>\$ 2,290,976</u>	<u>\$ 589,498</u>	<u>\$ -</u>	<u>\$ 736,895</u>	<u>\$ 6,760,472</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the Statement of Activities
Year ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 432,360
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Expenditures for capital assets	1,195,592
Depreciation expense	(1,488,217)
Loss on disposition of capital assets	(2,219)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Drainage certificates and warrants issued	(1,289,482)
Repayments of certificates and warrants	862,982
Principal repayments of bonds, notes and capital leases	2,151,963
Interest revenue reported in the Statement of Activities are not considered current financial resources and, therefore, are not reported as revenues in the governmental funds	
	(1,500)
Disbursements when issuing long term receivables are a use of current financial resources to governmental funds, but funding the issuance of debt increases long term receivables in the Statement of Net Assets. Receipt of long term receivables are revenues in the governmental funds, but the receipt reduces long-term receivables in the Statement of Net Assets.	
	(1,125,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:	
Other postemployment benefits	(71,401)
Compensated absences	(54,364)
Accrued interest on long-term debt	997
Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.	
	50,516
The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds.	
	(12,951)
Change in net assets of governmental activities	<u>\$ 649,276</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Internal Service - Hamilton County PSF
ASSETS	
Cash and pooled investments	\$ 254,273
Prepaid insurance	<u>104,771</u>
Total assets	359,044
LIABILITIES	
Due to other governments	<u>74,830</u>
NET ASSETS	
Unrestricted	<u><u>\$ 284,214</u></u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2012

	<u>Internal Service - Hamilton County PSF</u>
OPERATING REVENUE:	
Intra-county reimbursements	<u>\$ 1,396,401</u>
OPERATING EXPENSES:	
Medical claims	1,395,356
Administrative fees	<u>13,996</u>
Total operating expenses	<u>1,409,352</u>
Operating income	(12,951)
NET ASSETS, BEGINNING OF YEAR	<u>297,165</u>
NET ASSETS, END OF YEAR	<u><u>\$ 284,214</u></u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012

	<u>Internal Service - Hamilton County PSF</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,396,401
Cash paid to suppliers for services	<u>(1,368,001)</u>
Net cash provided by operating activities	28,400
Cash and cash equivalents, beginning of year	<u>225,873</u>
Cash and cash equivalents, end of year	<u>\$ 254,273</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (12,951)
Increase in due to other governments	44,696
Decrease in accounts payable	(1,166)
Increase in prepaid insurance	<u>(2,179)</u>
Net cash provided by operating activities	<u>\$ 28,400</u>

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

ASSETS

Cash and pooled investments:	
County treasurer	\$ 1,195,802
Other county officials	17,449
Receivables:	
Accounts receivable	4,106
Property tax:	
Delinquent	52,019
Succeeding year	18,140,752
Total assets	<u>\$ 19,410,128</u>

LIABILITIES

Accounts payable	\$ 9,961
Salaries and benefits payable	4,633
Due to other funds	22,656
Due to other governments	1,213,318
Deferred revenue:	
Succeeding year property tax	18,140,752
Other	17,451
Compensated absences	1,357
Total liabilities	<u>\$ 19,410,128</u>

The accompanying notes are an integral part of the financial statements.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamilton County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Hamilton County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Hamilton County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred eleven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Hamilton County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hamilton County Auditor's office.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information about the government as a whole. These statements include all of the financial activity of the County except for the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through property tax, intergovernmental revenues and other nonexchange revenues. The County does not report any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues. Internally generated resources are reported as general revenues rather than program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as other nonmajor funds.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Drainage Fund is used to account for intergovernmental revenues and the issuance of drain warrants to fund the maintenance, repair, and improvement of drainage structures throughout the County.

The Hospital Debt Service Fund is utilized to account for the receipt of principal and interest payments and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

The County reports the following nonmajor funds:

Recorder's Records Management	Local Option Sales Tax
Drug Forfeiture	Ag Partners TIF Projects
Prisoner Room and Board	Public Health Hospice
Property Forfeiture	Ethanol Plant
Hotel/Motel Tax	Conservation Legacy Endowment
REAP	Debt Service
RSVP	Ag Partners Debt Service
Central Iowa Recovery	Parking Lot Debt Service
Friends of Conservation Trust	Red Bull Debt Service

Additionally, The County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred or an economic asset is used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property tax is recognized as revenue in the year for which it is levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

For the most part, the effect of interfund activity has been removed from these statements.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to County departments. Operating expenses for proprietary funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County adopted the provisions of Governmental Accounting Standards Board Statement No. 62 as of July 1, 2011.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity

Cash and Pooled Investments

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable

Property tax receivable is recognized in the funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in the funds become due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payment; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Taxes Receivable

Interest and penalty on property taxes receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Due From and Due To Other Funds

During the course of operations, transactions occur between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories and Prepaid Insurance

Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepayments for insurance premiums reflect costs applicable to future periods and are recorded as prepaid insurance in the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Buildings	40-50 years
Building improvements	20-50 years
Infrastructure	30-50 years
Equipment	2-20 years
Vehicles	3-10 years

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Capital Assets (continued)

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payments of principal and interest are reported as expenditures.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Equity Classifications

The government-wide and proprietary fund Statement of Net Assets presents the County's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in other classifications.

It is the County's policy to use fund balance resources in the following manner: first, restricted, then committed, then assigned, and finally unassigned.

The net assets of the Internal Service Fund is designated for catastrophic losses of the County related to employee health insurance.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the non-program and debt service functions.

NOTE 3 - CASH AND POOLED INVESTMENTS

Cash and pooled investments are presented in the financial statements as shown below:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Checking account	\$ (334,234)	\$ 147,447
Money market and savings accounts	5,124,988	5,124,220
Certificates of deposit	725,000	725,250
Iowa Public Agency Trust	1,003,664	1,003,664
Drainage warrants	1,013,333	
Drainage coupons	39,580	
Cash on hand	<u>102,849</u>	
 Total	 <u>\$ 7,675,180</u>	

A reconciliation to the financial statements is shown below:

Statement of Net Assets - governmental activities	\$ 6,461,926
Statement of Fiduciary Net Assets	
County Treasurer	\$ 1,195,805
Other County Officials	<u>17,449</u>
	 <u>\$ 7,675,180</u>

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 3 - CASH AND POOLED INVESTMENTS (continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,003,664 pursuant to Rule 2a-7 under the Investment Company Act of 1940. No single portfolio investment may exceed 397 days and the weighted average maturity of the portfolio may never exceed 60 days.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investments in the Iowa Public Agency Investment Trust and Drainage warrants are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in the drainage warrants. The County's investment in the drainage warrants is 13% of the County's total investments.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The detail of interfund receivables and payables at June 30, 2012 is as follows:

	<u>Receivable fund</u>		
	General Fund	Nonmajor Fund	Total
 <u>Payable fund</u>			
Agency Fund - County offices	<u>\$ 21,733</u>	<u>\$ 923</u>	<u>\$ 22,656</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

	Transfers In					
	General Fund	Rural Services Fund	Secondary Roads Fund	Nonmajor Funds		
				Prisoner Room and Board	Debt Service Funds	
<u>Transfers out</u>						
General Fund	\$ 189,762	\$ 80,000	\$ 90,600	\$ 12,657	\$ 579	\$ 373,598
Rural Services Fund	-	-	1,302,300	-	-	1,302,300
Nonmajor Funds						
Public Health Hospice Fund	16,000					16,000
Ag Partners TIF Projects	-	-	-	-	69,396	69,396
	<u>\$ 205,762</u>	<u>\$ 80,000</u>	<u>\$ 1,392,900</u>	<u>\$ 12,657</u>	<u>\$ 69,975</u>	<u>\$ 1,761,294</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 3,863,696	\$ -	\$ -	\$ 3,863,696
Construction in progress	<u>521,451</u>	<u>198,374</u>	<u>118,942</u>	<u>600,883</u>
Total capital assets not being depreciated	<u>4,385,147</u>	<u>198,374</u>	<u>118,942</u>	<u>4,464,579</u>
Capital assets being depreciated:				
Buildings and building improvements	8,435,815	-	-	8,435,815
Buildings under capital lease	1,211,583	-	-	1,211,583
County equipment	1,702,506	129,794	72,800	1,759,500
County equipment under capital lease	51,130	-	-	51,130
Secondary roads equipment	6,820,701	348,665	12,289	7,157,077
Secondary roads office equipment	176,882	6,312	-	183,194
Infrastructure	<u>34,462,299</u>	<u>631,389</u>	<u>-</u>	<u>35,093,688</u>
Total capital assets being depreciated	<u>52,860,916</u>	<u>1,116,160</u>	<u>85,089</u>	<u>53,891,987</u>
Less accumulated depreciation for:				
Buildings and building improvements	3,388,414	171,172	-	3,559,586
County equipment	1,157,737	141,989	72,800	1,226,926
Secondary roads equipment	5,525,222	96,584	10,070	5,611,736
Secondary roads office equipment	153,674	9,158	-	162,832
Infrastructure	<u>18,787,336</u>	<u>1,069,314</u>	<u>-</u>	<u>19,856,650</u>
Total accumulated depreciation	<u>29,012,383</u>	<u>1,488,217</u>	<u>82,870</u>	<u>30,417,730</u>
Total capital assets being depreciated, net	<u>23,848,533</u>	<u>(372,057)</u>	<u>2,219</u>	<u>23,474,257</u>
Governmental activities capital assets, net	<u>\$ 28,233,680</u>	<u>\$ (173,683)</u>	<u>\$ 121,161</u>	<u>\$ 27,938,836</u>

Depreciation expense was charged to the governmental functions of the County as follows:

Public safety and legal services	\$ 58,891
Physical health and social services	7,271
Mental health	9,193
County environment and education	38,996
Roads and transportation	1,351,842
Administration	<u>22,024</u>
Total depreciation expense - governmental activities	<u>\$ 1,488,217</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 7 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 19,859
Mental Health	39,117
Rural Services	550
Secondary Roads	588
Nonmajor Funds	
Central Iowa Recovery	765
Local Option Sales Tax	123
Conservation Legacy Endowment	<u>352,926</u>
 Total for governmental funds	 <u>\$ 413,928</u>
 Agency:	
County offices	
Recorder	\$ 15,274
Sheriff	17,449
Township	3,206
Corporation	75,367
District Schools	138,240
Area Schools	8,710
County Assessor	65,970
County Agricultural Extension	2,280
County Hospital	6,919
Auto Registration and Use Tax	333,041
E911 Surcharge	18,281
Special Appraisers	446,056
All Others	<u>82,525</u>
	 <u>\$ 1,213,318</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 8 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due within One Year
General obligation bonds and notes	\$ 22,329,495	\$ -	\$ 1,355,532	\$ 20,973,963	\$ 1,356,522
Urban renewal Tax increment revenue bond	3,683,170	-	680,651	3,002,519	205,549
Drainage warrants and drainage improvement certificates	591,293	1,289,482	862,982	1,017,793	-
Capital leases purchase agreements	595,390	-	115,780	479,610	108,643
Compensated absences	409,464	295,525	241,161	463,828	266,458
OPEB liability	190,382	71,401	-	261,783	-
Total	\$ 27,799,194	\$ 1,656,408	\$ 3,256,106	\$ 26,199,496	\$ 1,937,172

Long-term Debt Payable

The details of the County's outstanding debt are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Outstanding Balance
General obligation debt						
Hospital bonds	6/11/2009	2.0 - 4.55%	6/01/11 - 26	6/01 & 12/01	21,820,000	\$ 19,585,000
Highway improvement bonds	5/13/2009	3.95%	6/01/09 - 25	6/01 & 12/01	770,000	692,000
General purpose note	7/22/2009	3.95%	6/01/09 - 16	6/01 & 12/01	1,000,000	620,000
General purpose note	10/15/1999	4.50%	4/01/00 - 15	7/01 & 10/01	285,000	76,963
						20,973,963
Urban Renewal Tax Increment revenue bond	8/8/2006	2.35%	12/01/07 - 6/1/25	6/01 & 12/01	4,300,000	3,002,519
Total governmental activities						\$ 23,976,482

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 8 - LONG-TERM LIABILITIES (continued)

Long-term Debt Payable (continued)

Payments to maturity on the County's June 30, 2012 indebtedness is as follows:

Year Ending June 30	<u>General Obligation Bonds</u>		<u>Tax Increment Financing Bonds</u>	
	Principal	Interest	Principal	Interest
2013	\$ 1,356,522	\$ 764,461	\$ 205,549	\$ 71,320
2014	1,384,638	733,032	210,408	66,462
2015	1,421,803	697,484	215,382	61,488
2016	1,429,000	657,615	220,473	56,396
2017	1,306,000	613,461	225,684	51,185
2018 - 2022	7,252,000	2,363,208	1,211,010	173,338
2023 - 2027	<u>6,824,000</u>	<u>768,527</u>	<u>714,013</u>	<u>33,116</u>
	<u>\$ 20,973,963</u>	<u>\$ 6,597,787</u>	<u>\$ 3,002,519</u>	<u>\$ 513,305</u>

In 2009, the County issued \$21,820,000 in General Obligation Bonds less a discount of \$218,200 to be paid off in 2026. Proceeds from the bonds were used by the County to loan such proceeds to the Hamilton County Hospital which was used, together with other monies of the Hospital, to finance the costs of the acquisition, construction, equipping and furnishing of an approximately 86,000 square foot acute care hospital. The Bonds maturing on June 1, 2018 and thereafter are callable at the option of the issuer on June 1, 2017 and on any date thereafter, in whole or in part, at par, plus accrued interest. The amount outstanding at year end is the same amount as the corresponding note receivable, including the same terms. The bonds stated rates varies between 1.30% to 4.55%.

The debt limit in accordance with the Code of Iowa includes all amounts for which the County is obligated in any manner. The debt limit as of June 30, 2012 is as follows:

Assessed value	<u>\$ 13,687,807,060</u>
Debt limit - 5% of assessed value	\$ 684,390,353
Debt outstanding	<u>35,633,651</u>
Debt margin	<u>\$ 648,756,702</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 8 - LONG-TERM LIABILITIES (continued)

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a building with a historical cost of \$1,211,583. Accumulated depreciation on the building as of June 30, 2012 is \$165,439. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.6% to 6.25% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2012:

Year ending June 30,

2013	\$ 124,128
2014	124,128
2015	124,128
2016	124,128
2017	<u>20,686</u>
Total minimum lease payments	517,198
Less amount representing interest	<u>(37,588)</u>
Present value of net minimum lease payments	<u>\$ 479,610</u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates.

Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The County offers medical benefits for retirees and their spouses through its insurance plan. There are 111 active and 9 retired members in the plan. Participants must be age 55 and older at retirement.

The medical coverage is provided through a fully-insured plan with Wellmark. Upon retirement, the retired participant can continue his/her health coverage and assumes 100% of the required premium. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently offers the retiree a benefit plan to continue his/her health coverage. The County makes no explicit contributions.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount implicitly contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 99,839
Interest on net OPEB obligation	4,760
Adjustment to annual required contribution	<u>(24,322)</u>
Annual OPEB cost	80,277
Contributions made	<u>(8,876)</u>
Increase in net OPEB obligation	71,401
 Net OPEB obligation, beginning of year	 <u>190,382</u>
 Net OPEB obligation, end of year	 <u><u>\$ 261,783</u></u>

For calculation of the net OPEB obligation, the actuary set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the implicit contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County does not explicitly contribute to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	75,482	17%	\$ 126,075
June 30, 2011	74,566	11%	190,382
June 30, 2012	80,277	11%	261,783

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$781,506, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$781,506. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$588 per month for retirees less than age 65. The UAAL is being amortized as a level dollar cost on an open basis over 30 years.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 10 - NET ASSETS

Net assets at June 30, 2012 consist of the following:

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 27,938,836
Less outstanding long term debt	(24,456,092)
Debt not related to capital assets	<u>19,585,000</u>
Invested in capital assets, net of related debt	<u>23,067,744</u>
Restricted	
Supplemental levy	527,745
Mental health	760,727
Rural services	376,085
Secondary roads	992,342
Drainage warrants and certificates	589,498
Conservation land acquisition / capital improvements	40,711
Debt service	1,112
Other	<u>735,783</u>
Total restricted	<u>4,024,003</u>
Unrestricted	<u>1,255,258</u>
Total Governmental Activities Net Assets	<u>\$ 28,347,005</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 11 - PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.3% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$465,266, \$415,054, and \$401,336, respectively, equal to the required contributions for each year.

NOTE 12 - RISK MANAGEMENT

Hamilton County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$147,973.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 12 - RISK MANAGEMENT (continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$5,000,000 and \$500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 13 - EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Hamilton County PSF Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumed liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Hamilton County PSF Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payment of service fees and claims processed are paid to Wellmark from the Hamilton County PSF Fund. The County's contribution for the year ended June 30, 2012 was \$1,111,233 .

Amounts payable from the Hamilton County PSF Fund at June 30, 2012 total \$74,830, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$328,910 at June 30, 2012.

A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 30,134	\$ 35,743
Incurred claims and changes in estimates	1,395,356	1,252,126
Claims paid	<u>(1,350,660)</u>	<u>(1,257,735)</u>
Unpaid claims, end of year	<u>\$ 74,830</u>	<u>\$ 30,134</u>

HAMILTON COUNTY
Notes to Financial Statements
June 30, 2012

NOTE 14 - CONSTRUCTION COMMITMENT

The County has entered into various contracts totaling \$354,860 for bridge and roadway construction projects. As of June 30, 2012, costs of \$348,552 on the projects have been incurred. The balance of \$6,308 remaining on the contracts at June 30, 2012 will be paid as work on the project progresses.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

Hamilton County participates in the Hamilton County Solid Waste Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Being a member of this Commission, Hamilton County will be obligated for its share of the closure and postclosure care costs associated with the cost to place a final cover on the Commission's landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. During 2008, the County was notified that the landfill financial assurances are completed and approved by the IDNR. Costs are fully funded.

NOTE 16 - SUBSEQUENT EVENTS

On January 18, 2013, the County authorized the issuance general obligation refunding bonds of \$6,525,000 dated February 15, 2013 with interest ranging from 1.5% to 2.0%. The bonds mature from June 1, 2018 through June 1, 2022.

On December 27, 2012, the County issued general obligation general purpose and refunding bonds dated December 15, 2012 with interest ranging from 1.0% to 2.0%. The bonds mature from June 1, 2013 through June 1, 2026.

Management evaluated subsequent events through February 11, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to February 11, 2013, that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON COUNTY
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds
Required Supplementary Information
Year ended June 30, 2012

	Cash Basis	Less Funds	Net	Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
	Fund Types	Not Required to		Original	Final	
	Actual	Be Budgeted				
RECEIPTS:						
Property and other county tax	\$ 7,631,830	\$ -	\$ 7,631,830	\$ 7,006,150	\$ 7,006,150	\$ 625,680
Tax increment financing collections	434,488	-	434,488	1,101,874	1,093,169	(658,681)
Interest and penalty on property tax	44,264	-	44,264	30,400	30,400	13,864
Intergovernmental	6,272,174	384,056	5,888,118	5,659,527	5,856,408	31,710
Licenses and permits	17,103	-	17,103	16,975	16,975	128
Charges for services	1,254,076	-	1,254,076	1,103,441	1,173,830	80,246
Use of money and property	115,272	3,005	112,267	96,629	96,639	15,628
Miscellaneous	2,019,073	25,722	1,993,351	2,015,152	2,037,551	(44,200)
Total receipts	<u>17,788,280</u>	<u>412,783</u>	<u>17,375,497</u>	<u>17,030,148</u>	<u>17,311,122</u>	<u>64,375</u>
DISBURSEMENTS:						
Public safety and legal services	2,590,612	-	2,590,612	2,615,187	2,723,081	132,469
Physical health and social services	1,633,181	-	1,633,181	2,065,214	2,071,518	438,337
Mental health	1,881,958	-	1,881,958	2,465,394	2,465,394	583,436
County environment and education services	1,291,048	-	1,291,048	1,271,999	1,411,936	120,888
Roads and transportation	4,487,523	-	4,487,523	4,572,650	4,572,650	85,127
Governmental services to residents	419,648	-	419,648	490,823	488,423	68,775
Administration	1,245,270	-	1,245,270	1,304,957	1,433,936	188,666
Non-program	315,152	315,152	-	-	-	-
Debt service	2,881,721	-	2,881,721	2,510,066	2,883,061	1,340
Capital projects	1,088,197	-	1,088,197	870,985	1,445,713	357,516
Total disbursements	<u>17,834,310</u>	<u>315,152</u>	<u>17,519,158</u>	<u>18,167,275</u>	<u>19,495,712</u>	<u>1,976,554</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(46,030)	97,631	(143,661)	(1,137,127)	(2,184,590)	2,040,929

HAMILTON COUNTY
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds
Required Supplementary Information
Year ended June 30, 2012

	Cash Basis Fund Types Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance - Positive/ (Negative)
				Original	Final	
OTHER FINANCING SOURCES, NET	\$ 607	\$ -	\$ 607	\$ -	\$ -	\$ 607
EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES	(45,423)	97,631	(143,054)	(1,137,127)	(2,184,590)	2,041,536
BALANCES, BEGINNING OF YEAR	6,099,096	490,726	5,608,370	4,485,608	5,609,361	(991)
BALANCES, END OF YEAR	<u>\$ 6,053,673</u>	<u>\$ 588,357</u>	<u>\$ 5,465,316</u>	<u>\$ 3,348,481</u>	<u>\$ 3,424,771</u>	<u>\$ 2,040,545</u>

HAMILTON COUNTY
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Modified Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 17,788,280	\$ (1,632,199)	\$ 16,156,081
Expenditures	<u>17,834,310</u>	<u>1,034,728</u>	<u>18,869,038</u>
Net change	(46,030)	(2,666,927)	(2,712,957)
Other financing sources, net	607	3,144,710	3,145,317
Beginning fund balances	6,099,096	178,500	6,277,596
Decrease in reserve for inventories	<u>-</u>	<u>50,516</u>	<u>50,516</u>
Ending fund balances	<u>\$ 6,053,673</u>	<u>\$ 706,799</u>	<u>\$ 6,760,472</u>

HAMILTON COUNTY
Notes to Required Supplementary Information -
Budgetary Reporting
Year Ended June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,332,727 and increased budget revenues by \$280,974. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the non-program and debt service functions.

HAMILTON COUNTY

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 595,298	\$ 595,298	0%	N/A	N/A
2011	July 1, 2008	-	600,284	600,284	0%	N/A	N/A
2012	July 1, 2011	-	759,674	759,674	0%	N/A	N/A

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

HAMILTON COUNTY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Special Revenue

	Recorder's Records Management	Drug Forfeiture	Prisoner Room & Board	Property Forfeiture	Hotel/ Motel Tax	REAP	RSVP	Central Iowa Recovery
ASSETS								
Cash and pooled investments	\$ 21,100	\$ 11,552	\$ 6,023	\$ 25,368	\$ 18,291	\$ 49,615	\$ 8,156	\$ 151,856
Receivables:								
Property tax:								
Delinquent	-	-	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-	-	-
Accrued Interest	-	-	-	-	-	-	-	-
Due from other funds	923	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	5,003	-	-	-
Total assets	<u>\$ 22,023</u>	<u>\$ 11,552</u>	<u>\$ 6,023</u>	<u>\$ 25,368</u>	<u>\$ 23,294</u>	<u>\$ 49,615</u>	<u>\$ 8,156</u>	<u>\$ 151,856</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 5,024	\$ -	\$ 1,898	\$ -	\$ 350	\$ 4,036	\$ -	\$ 212
Due to other governments	-	-	-	-	-	-	-	765
Deferred revenue:								
Succeeding year property tax	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total liabilities	<u>5,024</u>	<u>-</u>	<u>1,898</u>	<u>-</u>	<u>350</u>	<u>4,036</u>	<u>-</u>	<u>977</u>
Fund balances:								
Restricted for:								
Debt service	-	-	-	-	-	-	-	-
Other purposes	16,999	11,552	4,125	25,368	22,944	45,579	8,156	150,879
Total fund balances	<u>16,999</u>	<u>11,552</u>	<u>4,125</u>	<u>25,368</u>	<u>22,944</u>	<u>45,579</u>	<u>8,156</u>	<u>150,879</u>
Total liabilities and fund balances	<u>\$ 22,023</u>	<u>\$ 11,552</u>	<u>\$ 6,023</u>	<u>\$ 25,368</u>	<u>\$ 23,294</u>	<u>\$ 49,615</u>	<u>\$ 8,156</u>	<u>\$ 151,856</u>

HAMILTON COUNTY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue					
	Friends of Conservation Trust	Local Option Sales Tax	Ag Partners TIF projects	Public Health Hospice	Ethanol Plant	Conservation Legacy Endowment
ASSETS						
Cash and pooled investments	\$ 56,407	\$ 292,492	\$ 28,141	\$ 100,523	\$ -	\$ 374,724
Receivables:						
Property tax:						
Delinquent	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-
Accrued Interest	-	-	-	187	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	94,867	-	-	-	-
Total assets	<u>\$ 56,407</u>	<u>\$ 387,359</u>	<u>\$ 28,141</u>	<u>\$ 100,710</u>	<u>\$ -</u>	<u>\$ 374,724</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 5,076	\$ 76,874	\$ -	\$ -	\$ -	\$ 21,798
Due to other governments	-	123	-	-	-	352,926
Deferred revenue:						
Succeeding year property tax	-	-	-	-	-	-
Other	-	40,363	-	-	-	-
Total liabilities	<u>5,076</u>	<u>117,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,724</u>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	-	-
Other purposes	51,331	269,999	28,141	100,710	-	-
Total fund balances	<u>51,331</u>	<u>269,999</u>	<u>28,141</u>	<u>100,710</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 56,407</u>	<u>\$ 387,359</u>	<u>\$ 28,141</u>	<u>\$ 100,710</u>	<u>\$ -</u>	<u>\$ 374,724</u>

HAMILTON COUNTY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Debt Service

	<u>Debt Service</u>	<u>Ag Partners Debt Service</u>	<u>Parking Lot Debt Service</u>	<u>Red Bull Debt Service</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 590	\$ -	\$ 187	\$ 136	\$ 1,145,161
Receivables:					
Property tax:					
Delinquent	60	-	227	151	438
Succeeding year	198,780	-	-	-	198,780
Accrued Interest	-	-	-	-	187
Due from other funds	-	-	-	-	923
Due from other governments	-	-	-	-	99,870
Total assets	<u>\$ 199,430</u>	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 287</u>	<u>\$ 1,445,359</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 115,268
Due to other governments	-	-	-	-	353,814
Deferred revenue:					
Succeeding year property tax	198,780	-	-	-	198,780
Other	34	-	123	82	40,602
Total liabilities	<u>198,814</u>	<u>-</u>	<u>123</u>	<u>82</u>	<u>708,464</u>
Fund balances:					
Restricted for:					
Debt service	616	-	291	205	1,112
Other purposes	-	-	-	-	735,783
Total fund balances	<u>616</u>	<u>-</u>	<u>291</u>	<u>205</u>	<u>736,895</u>
Total liabilities and fund balances	<u>\$ 199,430</u>	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 287</u>	<u>\$ 1,445,359</u>

HAMILTON COUNTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2012

	Special Revenue						
	<u>Records Management</u>	<u>Drug Forfeiture</u>	<u>Prisoner Room & Board</u>	<u>Property Forfeiture</u>	<u>Hotel/Motel Tax</u>	<u>REAP</u>	<u>RSVP</u>
Revenues:							
Property tax and other county tax	\$ -	\$ -	\$ -	\$ -	\$ 16,724	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	40,816	-
Charges for services	155	-	-	-	-	-	-
Use of money and property	3,109	-	-	11	2	5	-
Miscellaneous	-	-	10	-	-	178	72
Total revenues	<u>3,264</u>	<u>-</u>	<u>10</u>	<u>11</u>	<u>16,726</u>	<u>40,999</u>	<u>72</u>
Expenditures:							
Public safety and legal services	-	2,560	15,073	38,305	-	-	-
Physical health and social services	-	-	-	-	-	-	5,059
County environment and education	-	-	-	-	9,431	4,037	-
Administration	5,553	-	-	2,500	-	-	12,144
Non-program	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	<u>5,553</u>	<u>2,560</u>	<u>15,073</u>	<u>40,805</u>	<u>9,431</u>	<u>4,037</u>	<u>17,203</u>
Excess (deficiency) of revenues over expenditures	(2,289)	(2,560)	(15,063)	(40,794)	7,295	36,962	(17,131)
Other financing sources (uses):							
Transfers in	-	-	12,657	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,289)	(2,560)	(2,406)	(40,794)	7,295	36,962	(17,131)
Fund balances, beginning of year	<u>19,288</u>	<u>14,112</u>	<u>6,531</u>	<u>66,162</u>	<u>15,649</u>	<u>8,617</u>	<u>25,287</u>
Fund balances, end of year	<u>\$ 16,999</u>	<u>\$ 11,552</u>	<u>\$ 4,125</u>	<u>\$ 25,368</u>	<u>\$ 22,944</u>	<u>\$ 45,579</u>	<u>\$ 8,156</u>

HAMILTON COUNTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2012

	<u>Special Revenue</u>						
	<u>Central Iowa</u> <u>Recovery</u>	<u>Friends of</u> <u>Conservation</u> <u>Trust</u>	<u>Local Option</u> <u>Sales Tax</u>	<u>Ag Partners</u> <u>TIF projects</u>	<u>Public</u> <u>Health</u> <u>Hospice</u>	<u>Ethanol</u> <u>Plant</u>	<u>Conservation</u> <u>Legacy</u> <u>Endowment</u>
Revenues:							
Property tax and other county tax	\$ -	\$ -	\$ 347,003	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	73,019	-	361,469	-
Intergovernmental	175,000	-	109,037	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Use of money and property	-	13	102	-	650	-	-
Miscellaneous	-	9,631	5,756	-	-	-	-
Total revenues	<u>175,000</u>	<u>9,644</u>	<u>461,898</u>	<u>73,019</u>	<u>650</u>	<u>361,469</u>	<u>-</u>
Expenditures:							
Public safety and legal services	-	-	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-	-
County environment and education	-	37,188	-	-	-	1,116	-
Administration	-	-	99,439	-	-	-	-
Non-program	24,121	-	-	-	-	-	-
Debt service	-	-	-	-	-	758,258	-
Capital projects	-	-	721,138	-	-	-	-
Total expenditures	<u>24,121</u>	<u>37,188</u>	<u>820,577</u>	<u>-</u>	<u>-</u>	<u>759,374</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	150,879	(27,544)	(358,679)	73,019	650	(397,905)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(69,396)	(16,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,396)</u>	<u>(16,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	150,879	(27,544)	(358,679)	3,623	(15,350)	(397,905)	-
Fund balances, beginning of year	<u>-</u>	<u>78,875</u>	<u>628,678</u>	<u>24,518</u>	<u>116,060</u>	<u>397,905</u>	<u>-</u>
Fund balances, end of year	<u>\$ 150,879</u>	<u>\$ 51,331</u>	<u>\$ 269,999</u>	<u>\$ 28,141</u>	<u>\$ 100,710</u>	<u>\$ -</u>	<u>\$ -</u>

HAMILTON COUNTY
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2012

Debt Service

	<u>Debt</u> <u>Service</u>	<u>Ag Partners</u> <u>Debt</u> <u>Service</u>	<u>Parking Lot</u> <u>Debt</u> <u>Service</u>	<u>Red Bull</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
Revenues:					
Property tax and other county tax	\$ 26,753	\$ -	\$ 98,767	\$ 65,854	\$ 555,101
Tax increment financing collections	-	-	-	-	434,488
Intergovernmental	995	-	3,834	2,558	332,240
Charges for services	-	-	-	-	155
Use of money and property	-	-	-	-	3,892
Miscellaneous	-	-	-	-	15,647
Total revenues	<u>27,748</u>	<u>-</u>	<u>102,601</u>	<u>68,412</u>	<u>1,341,523</u>
Expenditures:					
Public safety and legal services	-	-	-	-	55,938
Physical health and social services	-	-	-	-	5,059
County environment and education	-	-	-	-	51,772
Administration	-	-	-	-	119,636
Non-program	-	-	-	-	24,121
Debt service	27,712	69,396	102,312	68,208	1,025,886
Capital projects	-	-	-	-	721,138
Total expenditures	<u>27,712</u>	<u>69,396</u>	<u>102,312</u>	<u>68,208</u>	<u>2,003,550</u>
Excess (deficiency) of revenues over expenditures	36	(69,396)	289	204	(662,027)
Other financing sources (uses):					
Transfers in	579	69,396	-	-	82,632
Transfers out	-	-	-	-	(85,396)
Total other financing sources (uses)	<u>579</u>	<u>69,396</u>	<u>-</u>	<u>-</u>	<u>(2,764)</u>
Net change in fund balances	615	-	289	204	(664,791)
Fund balances, beginning of year	<u>1</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>1,401,686</u>
Fund balances, end of year	<u>\$ 616</u>	<u>\$ -</u>	<u>\$ 291</u>	<u>\$ 205</u>	<u>\$ 736,895</u>

HAMILTON COUNTY
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2012

ASSETS	County Offices	Township	Corporation	District Schools	Area Schools	County Assessor	County Agricultural Extension	County Hospital
Cash and pooled investments:								
County treasurer	\$ 35,181	\$ 3,199	\$ 58,675	\$ 123,737	\$ 7,757	\$ 73,150	\$ 2,012	\$ 5,404
Other county officials	17,449	-	-	-	-	-	-	-
Receivables:								
Accounts receivable	2,749	-	-	-	-	-	-	-
Property tax:								
Delinquent	-	161	23,594	23,355	1,516	1,047	419	1,921
Succeeding year	-	321,447	4,365,615	11,253,196	699,869	193,226	185,209	850,003
Due from other funds	-	-	-	-	-	-	-	-
	<u>55,379</u>	<u>324,807</u>	<u>4,447,884</u>	<u>11,400,288</u>	<u>709,142</u>	<u>267,423</u>	<u>187,640</u>	<u>857,328</u>
Total assets	<u>\$ 55,379</u>	<u>\$ 324,807</u>	<u>\$ 4,447,884</u>	<u>\$ 11,400,288</u>	<u>\$ 709,142</u>	<u>\$ 267,423</u>	<u>\$ 187,640</u>	<u>\$ 857,328</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	3,457	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-	4,602	-	-
Due to other funds	22,656	-	-	-	-	-	-	-
Due to other governments	32,723	3,206	75,367	138,240	8,710	65,970	2,280	6,919
Deferred revenue:								
Succeeding year property tax	-	321,447	4,365,615	11,253,196	699,869	193,226	185,209	850,003
Other	-	154	6,902	8,852	563	168	151	406
Compensated absences	-	-	-	-	-	-	-	-
	<u>55,379</u>	<u>324,807</u>	<u>4,447,884</u>	<u>11,400,288</u>	<u>709,142</u>	<u>267,423</u>	<u>187,640</u>	<u>857,328</u>
Total liabilities	<u>\$ 55,379</u>	<u>\$ 324,807</u>	<u>\$ 4,447,884</u>	<u>\$ 11,400,288</u>	<u>\$ 709,142</u>	<u>\$ 267,423</u>	<u>\$ 187,640</u>	<u>\$ 857,328</u>

HAMILTON COUNTY
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2012

ASSETS	Auto Registration and Use Tax	E911 Surcharge	Special Appraisers	Empowerment	Other	Total
Cash and pooled investments:						
County treasurer	\$ 333,041	\$ 22,332	\$ 448,758	\$ 31	\$ 82,525	\$ 1,195,802
Other county officials	-	-	-	-	-	17,449
Receivables:						
Accounts receivable	-	-	-	1,357	-	4,106
Property tax:						
Delinquent	-	-	-	-	6	52,019
Succeeding year	-	-	269,491	-	2,696	18,140,752
Due from other funds	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 333,041</u>	<u>\$ 22,332</u>	<u>\$ 718,249</u>	<u>\$ 1,388</u>	<u>\$ 85,227</u>	<u>\$ 19,410,128</u>
 LIABILITIES						
Accounts payable	\$ -	4,051	2,453	\$ -	\$ -	\$ 9,961
Salaries and benefits payable	-	-	-	31	-	4,633
Due to other funds	-	-	-	-	-	22,656
Due to other governments	333,041	18,281	446,056	-	82,525	1,213,318
Deferred revenue:						
Succeeding year property tax	-	-	269,491	-	2,696	18,140,752
Other	-	-	249	-	6	17,451
Compensated absences	-	-	-	1,357	-	1,357
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 333,041</u>	<u>\$ 22,332</u>	<u>\$ 718,249</u>	<u>\$ 1,388</u>	<u>\$ 85,227</u>	<u>\$ 19,410,128</u>

HAMILTON COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2012

ASSETS AND LIABILITIES	<u>County Offices</u>	<u>Township</u>	<u>Corporation</u>	<u>District Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>County Agricultural Extension</u>	<u>County Hospital</u>
Balances, beginning of year	\$ 55,819	\$ 312,290	\$ 4,330,065	\$ 11,456,374	\$ 726,351	\$ 267,608	\$ 186,811	\$ 501,844
Additions:								
Property and other county tax	-	322,602	4,637,187	11,068,346	688,712	196,924	182,170	842,638
E911 surcharge	-	-	-	-	-	-	-	-
State tax credits	-	11,382	179,253	428,408	26,769	7,728	6,963	18,707
Federal grants	-	-	-	-	-	-	-	-
Office fees and collections	388,255	-	-	-	-	53	-	-
Electronic transaction fee	-	-	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-	-
Trusts	120,540	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	124	-	-
Total additions	<u>508,795</u>	<u>333,984</u>	<u>4,816,440</u>	<u>11,496,754</u>	<u>715,481</u>	<u>204,829</u>	<u>189,133</u>	<u>861,345</u>
Deductions:								
Agency remittances:								
To other funds	188,127	-	-	-	-	-	-	-
To other governments	190,240	321,467	4,698,621	11,552,840	732,690	205,014	188,304	505,861
Trusts paid out	130,868	-	-	-	-	-	-	-
Total deductions	<u>509,235</u>	<u>321,467</u>	<u>4,698,621</u>	<u>11,552,840</u>	<u>732,690</u>	<u>205,014</u>	<u>188,304</u>	<u>505,861</u>
Balances, end of year	<u>\$ 55,379</u>	<u>\$ 324,807</u>	<u>\$ 4,447,884</u>	<u>\$ 11,400,288</u>	<u>\$ 709,142</u>	<u>\$ 267,423</u>	<u>\$ 187,640</u>	<u>\$ 857,328</u>

HAMILTON COUNTY
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2012

ASSETS AND LIABILITIES	<u>Auto Registration and Use Tax</u>	<u>E911 Surcharge</u>	<u>Special Appraisers</u>	<u>Empowerment</u>	<u>Other</u>	<u>Total</u>
Balances, beginning of year	\$ 362,048	\$ 7,503	\$ 657,804	\$ 340	\$ 38,392	\$ 18,903,249
Additions:						
Property and other county tax	-	-	263,790	-	115,877	18,318,246
E911 surcharge	-	68,000	-	-	-	68,000
State tax credits	-	36,282	11,478	-	95	727,065
Federal grants	-	-	-	-	32,052	32,052
Office fees and collections	-	-	-	-	175,000	563,308
Electronic transaction fee	-	-	-	-	2,928	2,928
Auto licenses, use tax and postage	4,611,591	-	-	-	-	4,611,591
Assessments	-	-	-	-	394	394
Trusts	-	-	-	-	-	120,540
Miscellaneous	-	-	51	64,006	134,318	198,499
Total additions	<u>4,611,591</u>	<u>104,282</u>	<u>275,319</u>	<u>64,006</u>	<u>460,664</u>	<u>24,642,623</u>
Deductions:						
Agency remittances:						
To other funds	-	-	-	-	-	188,127
To other governments	4,640,598	89,453	214,874	62,958	238,829	23,641,749
Trusts paid out	-	-	-	-	23,144	154,012
Total deductions	<u>4,640,598</u>	<u>89,453</u>	<u>214,874</u>	<u>62,958</u>	<u>261,973</u>	<u>23,983,888</u>
Balances, end of year	<u>\$ 333,041</u>	<u>\$ 22,332</u>	<u>\$ 718,249</u>	<u>\$ 1,388</u>	<u>\$ 237,083</u>	<u>\$ 19,561,984</u>

HAMILTON COUNTY
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUES										
Property and other county tax	\$ 7,627,527	\$ 6,628,446	\$ 6,628,446	\$ 6,368,944	\$ 6,120,736	\$ 6,225,587	\$ 6,664,672	\$ 6,388,172	\$ 6,818,244	\$ 6,435,724
Tax increment financing collections	434,488	487,480	487,480	393,648	297,291	-	-	-	-	-
Interest and penalty on property tax	46,452	41,454	41,454	39,948	36,925	43,245	38,692	49,598	49,078	42,327
Intergovernmental	6,442,144	6,713,275	6,713,275	6,998,897	5,872,894	6,491,387	6,277,899	5,467,793	5,091,955	5,595,022
Licenses and permits	17,013	68,960	68,960	8,355	12,790	7,980	9,635	7,755	5,968	7,768
Charges for services	1,324,354	1,138,600	1,138,600	1,074,161	1,063,306	1,040,163	1,164,288	1,114,385	1,000,698	970,898
Use of money and property	98,688	105,659	105,659	169,893	370,256	415,349	267,804	180,264	136,803	138,571
Fines, forfeitures and defaults	-	-	-	-	-	-	1,011	610	420	-
Miscellaneous	165,415	43,058	43,058	186,678	167,983	203,584	184,337	223,643	89,668	377,469
Total	<u>\$ 16,156,081</u>	<u>\$ 15,226,932</u>	<u>\$ 15,226,932</u>	<u>\$ 15,240,524</u>	<u>\$ 13,942,181</u>	<u>\$ 14,427,295</u>	<u>\$ 14,608,338</u>	<u>\$ 13,432,220</u>	<u>\$ 13,192,834</u>	<u>\$ 13,567,779</u>
EXPENDITURES										
Current:										
Public safety and legal services	\$ 2,596,698	\$ 2,417,356	\$ 2,415,889	\$ 2,386,472	\$ 2,258,805	\$ 2,112,944	\$ 2,005,919	\$ 1,852,983	\$ 1,417,397	\$ 1,358,155
Physical health and social services	1,616,685	1,882,099	2,029,093	1,918,313	2,100,019	2,168,916	2,037,501	2,059,738	2,073,148	2,362,016
Mental health	1,703,978	2,152,328	1,891,221	2,070,701	2,170,686	2,307,235	2,136,414	2,067,400	2,010,301	2,104,328
County environment and education	1,203,227	1,230,025	1,161,085	1,216,662	1,094,572	3,599,042	1,034,581	1,046,435	1,113,247	1,057,562
Roads and transportation	4,394,559	4,581,173	4,136,876	4,140,465	4,422,287	3,589,441	3,671,252	4,118,873	3,428,130	3,966,392
Governmental services to residents	422,847	406,190	403,950	403,740	375,852	356,504	496,744	390,064	381,527	324,265
Administration	1,253,877	1,141,661	1,179,107	1,145,339	1,101,284	1,219,890	1,025,400	934,016	915,889	1,006,392
Non-program	1,634,522	932,632	797,475	601,438	455,675	251,714	223,777	281,763	454,183	593,931
Debt service	2,881,721	2,504,497	1,315,053	1,171,449	415,656	339,399	1,377,342	669,180	48,458	29,055
Capital projects	1,160,924	798,292	1,796,991	1,401,766	369,008	1,093,478	1,716,244	1,793,367	2,740,430	913,290
Total	<u>\$ 18,869,038</u>	<u>\$ 18,046,253</u>	<u>\$ 17,126,740</u>	<u>\$ 16,456,345</u>	<u>\$ 14,763,844</u>	<u>\$ 17,038,563</u>	<u>\$ 15,725,174</u>	<u>\$ 15,213,819</u>	<u>\$ 14,582,710</u>	<u>\$ 13,715,386</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Officials of Hamilton County:

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, Iowa, (County) as of and for the year ended June 30, 2012, and have issued our report thereon dated February 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-2 to be a material weakness in internal control over financial reporting.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and responses as items 2012-1, 2012-3, and 2012-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and legal matters presented in the accompanying schedule of findings and responses are not intended to constitute a legal interpretation of those statutes.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Hamilton County Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Cedar Rapids, Iowa
February 11, 2013

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2012

Financial Statement Findings

2012-1 - Audit Adjustments
Significant Deficiency

Criteria:

The County should have adequate procedures to provide for the accuracy and reliability of the accounting records supporting the financial statements.

Condition:

During the course of the audit, adjusting journal entries were made to record year end accrual amounts to present the financial statements on the modified accrual basis of accounting in the governmental funds.

Context:

Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the County's internal control system.

Effect:

As a result of this condition, there is a higher risk that misstatements that are more than inconsequential to the financial statements could occur and not be detected.

Cause:

The County has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

Recommendation:

We recommend that the County establish internal procedures to adjust all account balances at year end.

Management Response:

Management will review financial statements and correct necessary accounts prior to the audit.

Conclusion:

Response accepted.

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2012

Financial Statement Findings (continued)

2012-2 - Preparation of Financial Statements
Material Weakness

Criteria:

The Board of Supervisors and management share the ultimate responsibility for the County's financial statements, including disclosures.

Condition:

The County has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the County's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered a part of the County's internal control system. The County has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement disclosure omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The County has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the County's activities and operations.

Management Response:

The County does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. As a result, Hamilton County has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2012

Financial Statement Findings (continued)

2012-3 - Grants Receivable
Significant Deficiency

Criteria:

The Board of Supervisors and management share responsibility for the County's financial statements, including the determination of requirements under the Single Audit Act.

Condition:

The County management does not have procedures in place to record grant receivable transactions on a timely basis. As a result, the County does not identify all federal awards expended to determine if it is subject to the Single Audit Act.

Context:

The County was unaware of whether they needed a single audit for the current fiscal year.

Effect:

The County could incorrectly determine the audit requirements and be out of compliance with the requirements of the single audit.

Cause:

The County lacks controls for tracking and monitoring federal awards.

Recommendation:

We recommend that management develop a process for County offices to notify the County Auditor of federal funds received. The County Auditor should provide oversight of the accounting and reporting of the expenditure of federal funds.

Management Response:

The County will develop a process for County officials to notify the County Auditor of federal funds received. The County Auditor will provide oversight of the accounting and reporting of the expenditure of federal funds.

Conclusion:

Response accepted.

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2012

Financial Statement Findings (continued)

2012-4: Discrepancies in Recorder's Fees
Significant Deficiency

Criteria:

Management is responsible for implementing internal controls that ensure that the records underlying the financial statements are free from material misstatement.

Condition:

Fees recorded in the County Recorder's office could be understated.

Context:

During our review of the Hamilton County Recorder's Office policies, procedures and records we noted frequent differences between the amounts balanced from the cash register at the end of each day to the amount deposited the next day. In almost all cases the amounts deposited the following day were less than the balanced total from the cash register.

Effect:

Without effective internal controls in place, fraud could occur without being detected by management on a timely basis.

Cause:

The County lacks controls for verifying the accuracy of the deposits recorded in the Clerk's office.

Recommendation:

We recommend a complete review of all procedures in the Recorder's office with implementation of additional checks and balances to assure amounts are properly receipted, deposited and accounted for. These procedures should include a reconciliation to the previous day. The Recorder should review the deposit in relation to the balance figure and she should take the deposit to the bank.

Management Response:

The County Recorder has begun using a computer program for inputting all monies in addition to the cash register receipting that was previously used. At the end of the day the computer & cash register must match. The deposit is now computer generated and written out by management at the end of the business day. It is now a requirement that whoever takes the deposit to the bank and receives cash back must sign for those funds. The person previously responsible for making deposits has been relieved of that duty and we have not been off in the deposit since the day it was discovered and she was questioned.

Conclusion: Response accepted.

HAMILTON COUNTY
Schedule of Findings and Responses
June 30, 2012

Findings Related to Required Statutory Reporting

IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed amounts budgeted. Disbursements in departments did not exceed the amounts appropriated.

IV-B-12 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions - We noted the rental of space by County Attorney from his sister totaling \$4,950.

All expenditures were approved by the Board of Supervisors and appear to be in the normal course of business. We recommend the County carefully review any such transactions to determine the public purpose is being met.

IV-E-12 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.

IV-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-12 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-12 Solid Waste Fees Retained - During the year ended June 30, 2012, the County used or retained the solid waste fees in accordance with Chapter 455E.11(2),(11),(13) and (15) of the Code of Iowa.

IV-J-12 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.